

# Analysis of Implementation of GST on Petrol in India

Reshu Varshney<sup>1</sup> and Amrita Sahu<sup>2</sup>

<sup>1</sup>Barkatulla University, Bhopal, India

<sup>2</sup>The Bhopal School of Social Sciences, Bhopal, India

Keywords: GST, VAT, Excise Duty.

Abstract: Goods and Services Tax (GST) was implemented on July 1st, 2017 in India. Except for alcohol intended for human use, natural gas, petrol and its products, electricity, etc., all goods and services are subject to GST. The Central Government is considering bringing petrol and petroleum products into the purview of the GST regime. Currently, state tax is charged on petrol and petroleum-related products. The paper considers five states and studies a change in petrol prices pre and post-GST. The paper concludes that GST on petrol and petroleum products in India will reduce petrol prices and bring down inflation that will bring relief to the common man but will cause huge revenue loss for the mentioned above State Governments. In the paper, we have also discussed various tactics to combat this financial loss of the State Government.

## 1 INTRODUCTION

The Goods and Services Tax (GST) has replaced a variety of other indirect taxes in India, such as the value-added tax, excise tax, services tax, etc. The Central Government is considering bringing petrol and petroleum products into the purview of the GST regime due to inflation, high gas prices in many states and intense public demand to lower the price of petrol and diesel. Currently, state tax is charged on petrol and petroleum-related products.

A maximum GST rate of **28%** may be imposed on gasoline in addition to Cess, according to all the discussions that have so far occurred between the Center and the states during GST Council sessions. It is still a topic of debate as States fear loss of revenue.

## 2 REVIEW OF LITERATURE

1) Gulati Neelam and Adhana Deepak, International Journal of Trend in Research and Development (April 30, 2018), Volume 5(2), ISSN: 2394-9333 Inducting Petroleum Products into GST: An Only Solution to Rising Prices. This paper highlighted the scenario of the existing tax structure on petrol and diesel. It exhibited the petroleum products price comparison with other countries. It also mentioned the revenue generated through excise

duty and VAT on petrol products in the last four years. This paper, in the end, depicted the projected petrol and diesel price under the GST ambit.

- 2) S. Saravanakumar, Kiruba.S, (December 2019) Petrol Price: Pre & Post Goods and Services Tax (GST) in India. In this paper it is mentioned that to protect the state's collected revenue, petrol was excluded from the GST system. What is GST? And other issues are answered in the current study. What justifies not introducing GST on petroleum? What will the cost of one litre of petrol be after it is included in the GST? This research focuses on a comparison between the current tax rate on petrol and the rate at which petrol would cost if it was included in the ambit of GST.
- 3) Bansal Ashima, Garg Mannu, Sidana Sumit, International Journal of Research in IT and Management (IJRIM) Vol. 11 Issue 8, August-2021 ISSN(o): 2231-4334 | ISSN(p): 2349-6517. What if Petroleum Products come under GST? In this paper, they explained the concept of GST. This study gave an overview of petroleum products whereas the main idea of this study is how the pricing of petroleum is done and how profit is generated by the government through petrol & diesel. So in the present study, they concentrated on what are the benefits and disadvantages of the addition of petrol and diesel under GST.

- 4) Mukherjee, Sacchidananda and R. Kavita Rao, May 2014, Designing GST for India inclusive of Petroleum, Natural gas, and Electricity: Policy Options. This paper stated that Natural gas, petrol, diesel, aeronautics turbine energy, and electricity are kept out of Goods and Services Tax (GST), which would affect revenue for the State Government. Introducing GST at advanced rates would make the reform more delicate to apply. The result of this knot lies in making reforms of pricing of petroleum products coterminous with the preface of the GST reforms. In all of the policy options explored in the study, the estimated profit neutral rate (RNR) is within the realm of reasonable and doable, especially when compared to the present rates of duty which are considered as the criteria.
- 5) Saxena Anushree, Advances in Economics and Business Management, (2018), GST and Petroleum. —The research report shows why crude oil and petroleum should remain subject to the GST. Since then, this issue has been the subject of several debates, criticisms, and disputes. Petroleum is still exempt from the GST coverage from previous years. One single present tax policy—under which states are permitted to impose taxes in accordance with their needs and which is regarded as one of the primary sources of revenue collection—is the primary reason why states have refused to agree to include petroleum in the GST. The Center had opposed exempting natural gas and crude oil from the GST since it would mean that the credit on capital goods and input services would no longer be available. A similar input, crude petroleum, is used to make diesel and motor spirit, as well as other refined goods like naphtha and lubricating oil base stock. Refineries would have a very difficult time allocating the credit on capital goods, input services, and inputs if diesel and motor spirit were excluded from the scope of the GST.

### 3 RESEARCH METHODOLOGY

In this paper two types of Research Methodology are followed:

#### 3.1 Quantitative Research

Through the collection of measurable data and the operation of statistical, fine, or computer styles, quantitative exploration is the methodical analysis of

marvels. Through the use of slice ways and the distribution of online questionnaires, pates, and checks, for case, quantitative exploration gathers data from current and implicit guests. This can be represented numerically. A product or service's future can be prognosticated using these data, and changes can also be made as necessary.

#### 3.2 Analytical Research

Analytical research is a particular kind of research that calls for the use of critical thinking abilities and the assessment of data and information pertinent to the project at hand. Analytical research is used by a range of people, including students, doctors, and psychologists studies to locate the most pertinent data.

## 4 INFERENCES & INTERPRETATION

We have taken a sample of five states i.e. Delhi, MP, Assam, Karnataka and Gujrat for this study.

#### 4.1 Sampling Method

Data Collection method: In this paper, only secondary data has been used for analysis. All data has been collected from various reports, discussion papers, blogs, websites, newspapers, Union budget reports, GST council reports, mycarhelpline.com, www.godigit.com, www.petrolpricetoday.com, Dainik Bhaskar, etc.

In this study we are going to find out what will be the changes on petrol prices before and after the implementation of GST for that we have taken data of 5 states of India.

Table 1.

States Tax	Delhi	Madhya Pradesh	Assam	Karnataka	Gujrat
Price charged to dealers	Rs 57.35 per Litre				
Excise duty (Levied by the Central Government)	-	-	-	-	-
Average dealer commission	Rs 3.8 per Litre	₹ 7.78 per litre	₹ 5.47 per litre	₹ 3.5 per litre	₹ 3.89 per litre
VAT (Levied by the State Government)	-	-	-	-	-
GST @28%	17.122	18.2364	17.5896	17.038	17.1472
Retail selling price	78.272	83.3664	80.4096	77.888	78.3872

Sources: Petrol price breakup of various states, <https://www.godigit.com/fuel/taxes/>

**Note:** We are taking highest slab of GST i.e. 28% for computation of GST on petrol.

The above table gives an overview of the retail selling price of petrol after the implementation of GST. After the implementation of GST, VAT and Excise Duty on petrol will be scrapped. We can observe that after applying GST on petrol the price per litre of petrol is in Delhi Rs.78.272, in MP Rs.83.3664, in Assam Rs.80.4096, in Karnataka Rs.77.888 and Gujrat Rs.78.3872. In MP the rate of petrol is highest due to the levy of huge dealers' commissions.

Table 2.

States Petrol Price	Delhi	MP	Assam	Karnataka	Gujrat
Pre GST	96.72	109.7	97.32	101.92	96.93
Post GST	78.272	83.3664	80.4096	77.888	78.3872

Sources: Petrol price breakup of various states, <https://www.godigit.com/fuel/taxes/>

It can be seen from the above figure that the price of petrol will fall in the GST regime. In Delhi the price will fall upto Rs.18.448 per litre (96.72-78.272), in MP the price will fall upto Rs.26.3336 per litre (109.7- 83.3664), in Assam, the price will fall upto Rs 16.9104 per litre (97.32-80.4096), in Karnataka, the price will fall upto Rs.23.5328 per litre (101.92-78.3872) and in Gujrat, the price will fall upto Rs.18.5428 per litre (96.93-78.3872).

Table 3.

States Revenue		Delhi	MP	Assam	Karnataka	Gujrat
Pre GST	Excise contribution given by Central Govt.	19.9*14% 2.786	19.9*1.35% 0.26	19.9*1.35% 0.26	19.9*1.35% 0.26	19.9*1.35% 0.26
	VAT	15.67	24.67	14.60	21.17	15.79
	Total	18.456	24.93	14.86	21.43	16.05
Post GST	GST @14%	57.35*14% 8.029	57.35*14% 8.029	57.35*14% 8.029	57.35*14% 8.029	57.35*14% 8.029
Revenue loss to state		(18.456 - 8.029) -10.427	(24.93 - 8.029) -16.901	(14.86 - 8.029) -6.831	(21.43 - 8.029) -13.401	(16.05 - 8.029) -8.021

Sources: Petrol price breakup of various states, <https://www.godigit.com/fuel/taxes/>

Note: The above rates are based on Annexure 4 (STATEMENT SHOWING STATE-WISE DISTRIBUTION OF NET PROCEEDS OF UNION TAXES AND DUTIES FOR 2022-23) which is given on the Union Budget website.

The above graph is depicting revenue loss of the State revenue collection by comparing pre and post GST. From the above figure we can conclude that there will be revenue loss to all the five states if GST is implemented on petrol in these five states. In Delhi the revenue loss will be Rs. 10.427 per litre (18.456 – 8.029), in MP the revenue loss will be in Rs. 16.901 per litre (24.93 - 8.029), in Assam the revenue loss will be Rs. 6.831 per litre (14.86 - 8.029), in Karnataka the revenue loss will be Rs. 13.401 per litre (21.43 - 8.029), in Gujrat the revenue loss will be Rs. 8.021 per litre (16.05 - 8.029).

## 5 RESULTS

Through the above findings, we can conclude that after the application of GST, the price of petrol per litre will decrease, but it will cause a huge revenue loss for the mentioned above State Governments though the highest slab of GST is applied in this research. By this, we can also conclude that a huge proportion of petrol price is inclusive of taxes before the implementation of GST on petrol.

### 5.1 Suggestions

GST on petrol and petroleum products in India will reduce petrol prices and bring down inflation that will bring relief to the common man doing so Central Government must compensate for the revenue loss of the State Government but it is not a temporary loss and it can cause financial crises in States. The following measures can be taken to reduce the revenue loss of states.

The state can be compensated by levying GST Cess (extra charge on premium fuels) or fuels used by luxury and sports vehicles.

Central Government can increase its revenue distribution percentage to States for a few years.

The state can increase state taxes on alcoholic liquor for human consumption and on tobacco and tobacco products and products which are luxurious in nature.

GST Cess can be applied to petrol and petroleum product for years to combat revenue loss for a few years.

State Government should cut down unnecessary expenses to meet the crises.

### 5.2 Limitation of Study

In this study major shortcoming is that it is taking consideration into only five states because of lack of

available data. A study can be done while considering every State to confirm the revenue generation from each State. Also, there may be a chance that instead of revenue loss there can be revenue gain in some states due to low VAT and excise duty

## REFERENCES

- Gulati, N and Adhana D. 2018. Inducting Petroleum Products into GST: An Only Solution to Rising Prices, International Journal of Trend in Research and Development, Volume 5(2), ISSN: 2394-9333.
- Saravanakumar,S & Kiruba ,S.R.2019. Petrol Price: Pre & Post Goods and Services Tax (GST) in India, IJRTE, Volume-8 Issue-4S3.
- Bansal, A & Garg, M, & Sidana, S.2021. What if Petroleum Products come under GST? , IJRIM, Vol. 11 Issue 8.
- Mukherjee, S & Rao,K.R. 2014. Designing GST for India inclusive of Petroleum, Natural gas and Electricity, NPFPP Policy, One pager, 006.
- Saxena A.2018. GST and Petroleum, AEBM, Volume 5, Issue 1.
- Ibrahim,A & Shimin, S.2018. Why India Demands Inclusion of Petroleum Products Under GST, IJMITE, Vol. 8, Issue 1.
- S. Mahendrakumar.T, Vasudeva, 2018. Expected Impact of GST on Oil and Gas Industry, JETIR, Volume 5, Issue 4
- Ramya. S. R, 2021. Taxing Petroleum Products,Which Is The Right Way? Indirect Taxation - Customs/Excise/Service Tax, Indian Journal of Law and Legal Research. <https://www.indiabudget.gov.in/>  
<https://gstcouncil.gov.in/gst-council-meetings>